

**Notice of confidentiality rights: If you are a natural person, you may remove or strike any of the following information from this instrument before it is filed for record in the public records: your social security number or your driver's license number.**

## ROYALTY DEED

(Terminates on Expiration of Current Lease)

STATE OF TEXAS

§

KNOW ALL MEN BY THESE PRESENTS:

COUNTY OF TARRANT

§

§

1. That **Celinda Palacio aka Celinda Flores**, hereinafter referred to as Grantor (whether one or more), for Ten Dollars (\$10.00) and other valuable consideration paid by **Palo Argenta Partners - A LLC**, located at 5944 Luther Lane, Suite 900, Dallas, Texas 75225, hereinafter referred to as Grantee (whether one or more), the receipt of which is hereby acknowledged, has GRANTED, SOLD, and CONVEYED, and by these presents does hereby GRANT, SELL, and CONVEY unto Grantee, **Palo Argenta Partners - A LLC**, its heirs, successors and assigns all of Grantor's undivided interest in all oil royalty, gas royalty, overriding royalty, royalty in casinghead gas, gasoline and other oil and gas in, on and under, and that may be produced from, the following lands (the "Lands") in the County of Tarrant, State of Texas, to wit:

Being a 0.2225 acre tract(s) of land, more or less, more particularly described as Lot C, S.F. Dicks Subdivision, River Oaks, Texas; including all streets, alleyways, easements, rights-of-way, common areas or abutting property.

This particular tract(s) of land is currently located within the Hullabaloo Unit, which is situated in the G.W. Boicourt Survey A-229, A.V. Nordstrand Survey A-1584, S.M. Hagerty Survey A-655, J.P. Lusk Survey A-947 and the E.S. Ellis Survey A-462, Tarrant County, Texas and is currently operated by Chesapeake Operating, Inc.

NOT WITHSTANDING ANYTHING HEREIN TO THE CONTRARY, THE LANDS INDIVIDUALLY DESCRIBED ABOVE ARE SET OUT FOR THE CONVEYANCE OF THE PARTIES AND SHALL NOT BE INTERPRETED AS LIMITING THIS GRANT. IT BEING THE INTENT OF THE PARTIES THAT THIS ROYALTY DEED COVER ALL OIL AND GAS ROYALTY INTERESTS OF EVERY KIND AND DESCRIPTION OWNED BY GRANTOR AT THE TIME THIS INSTRUMENT IS SIGNED (WHETHER THE OIL AND GAS LEASE MENTIONED IN THIS CONVEYANCE HAS EXPIRED AND A NEW OIL AND GAS LEASE, EXTENSION AND/OR RENEWAL HAS BEEN TAKEN OR ADDITIONAL PROPERTY NOT MENTIONED ABOVE IS OWNED BY GRANTOR WITHIN THIS PARTICULAR UNIT) ALL WITHIN THE HULLABALOO UNIT LOCATED IN TARRANT COUNTY, TEXAS, WHETHER OR NOT PARTICULARLY DESCRIBED ABOVE.

2. The "Lands" subject to this conveyance also includes all strips, gores, roadways, water bottoms, and other lands adjacent to or contiguous with the lands specifically described above and owned or claimed by Grantor. If the description above proves incorrect in any respect or does not include these adjacent or contiguous lands, Grantor shall without additional consideration, execute, acknowledge, and deliver to Grantee, its successors and assigns, such instruments as are useful or necessary to correct the description and evidence such correction in the appropriate public records.

3. Grantor, named above, owns an undivided royalty interest in the Lands described above, resulting from Grantor's undivided mineral interest in and under the Lands being subject to an Oil and Gas Lease (the "Lease") with Western Production Company, as Lessee, recorded as a Memorandum of Oil and Gas Lease or an Oil and Gas Lease of which is located in the Deed Records of Tarrant County, Texas, however, if this particular Lease has expired then this conveyance pertains to any current Lease(s) of record on the above tract of Land or within any of the mentioned Unit, Surveys or Abstracts described above, including all renewals and/or extensions. The above conveyance of royalty to Grantee is for a term which shall be for so long as the Lease is in full force and effect and oil, gas, or other minerals are being produced from the Lands, or the Lease is otherwise being maintained in force and effect by its terms and provisions. Upon the expiration of or termination of the Lease, the undivided royalty interest conveyed by this Deed to Grantee shall terminate and revert and revest ipso facto to Grantor and Grantor's heirs, successors, personal representatives, and assigns. After such event, Grantee shall have no further rights, title, interests, or claims in or to any part of the royalty that is the subject of this Deed.

4. This Royalty Deed is made subject to any existing oil and gas lease on the Lands, now of record, which is valid and in force and effect as of the Effective Date of this Royalty Deed. Grantee shall have, receive, and enjoy the stated undivided interest in all oil royalty, gas royalty, overriding royalty, royalty in casinghead gas, gasoline and other oil and gas in, on and under, and that may be produced from the Lands which may accrue to the royalty interest conveyed by this Royalty Deed, from and after the Effective Date, as if Grantee had been, at the date of making any currently valid and subsisting lease, the owner of the conveyed royalty interest in the Lands. It is the intent of the Grantor, and by acceptance of this Royalty Deed, agreed to by Grantee, that the undivided interests conveyed by this Royalty Deed are royalty interests only. By this Royalty Deed, Grantee acquires no rights to any payments of bonus consideration, delay rentals, any executive rights, or the right to negotiate any oil and gas lease on the Lands.

5. Grantee may, at its option and in addition to any other rights or remedies available to Grantee, pay all or part of any tax, note, or other indebtedness or obligations secured by a lien on the Lands, or any part of them or interest in them. If Grantee ever makes any such payment, or if any production, royalties or other economic benefits of the estate conveyed by this instrument are ever applied by any LESSEE, purchaser of production, or other person to pay or discharge, in whole or in part, any tax, note, or other indebtedness or obligations secured by a lien on the Lands, or any part of them or any interest in them, Grantee shall be subrogated to, shall succeed to, and may enforce all of the rights of the affected lien holder to secure the recovery of the amounts paid, together with interest and attorneys' fees.

6. **WARRANTY OF TITLE:** This Royalty Deed is delivered by Grantor to Grantee with warranty of title by, through, and under Grantor, but not otherwise. Grantor has the right to make this transfer and conveyance of royalty to Grantee and will WARRANT AND FOREVER DEFEND all and singular the Property to Grantee, its successors and assigns, against every person whomsoever lawfully claiming or to claim the same or any part thereof by, through or under Grantor, but not otherwise. In the event of failure of title in whole or in part, it is agreed that if Grantor does not own or have the right to sell the royalties under the said property then Grantor shall return all monies paid for those royalties to Grantee upon notification and proof of title failure.

**7. INDEMNITY:** By execution of this instrument, Grantor also authorizes and directs all persons responsible for paying and/or delivering the royalties subject to this instrument (the "Subject Royalties"), including but not limited to royalties payable under the Lease, to commence paying and/or delivering the Subject Royalties to Grantee in accordance with this instrument. Grantor warrants and represents to each such person and to that person's heirs, successors, assigns, and legal representatives that prior to making this conveyance, Grantor was the lawful owner of the Subject Royalties and that Grantor has not heretofore conveyed the Subject Royalties to any other person. Grantor shall indemnify and hold each person responsible for paying and/or delivering the Subject Royalties, and that person's heirs, successors, assigns, and legal representatives harmless from and against any lawful claims to the Subject Royalties by, through, or under Grantor.

**8. POWER OF ATTORNEY:** In addition to the interest herein conveyed, Grantor does hereby irrevocably appoint and constitute **Palo Argenta Partners – A LLC**, as Grantor's Agent and Attorney-in-Fact for the limited purpose only of executing division orders, transfer orders, correction deeds or conveyances, amendments of description, amendments of Grantor's capacity, including typographical errors, and all other instruments as may be necessary for this conveyance of interest, so that **Palo Argenta Partners – A LLC** may act in Grantor's place and stead for this limited purpose only. **Palo Argenta Partners–A LLC** is also given, through this provision, the authority to correct the description of the property being conveyed, if necessary, to show the actual description of all properties owned by Grantor as reflected by the County Records in which said properties are located. This is a Durable Power of Attorney and is not affected by the subsequent disability or incapacity of the principal.

**9. NO REPRESENTATIONS BY GRANTEE:** Grantor acknowledges and agrees that Grantee has made no representations or warranties of any kind to Grantor to entice or encourage Grantor to execute this instrument and to receive consideration therefore. Grantor recognizes and acknowledges that the interest herein conveyed may be worth more than the consideration received by Grantor therefore, particularly in the event that drilling or production activities on the interest conveyed herein or in the vicinity thereof proves to be successful. Grantor recognizes and agrees that Grantor has been given the opportunity to ask questions Grantor may desire of Grantee and that the responses thereto given by Grantee were satisfactory to Grantor. If any provision(s) of this contract shall be held to be invalid or unenforceable for any reason, the remaining provisions shall remain valid.

**10. PARTIES AGREEMENT TO MEDIATION AND/OR ARBITRATION:** IN THE EVENT OF ANY DISPUTE (AS DEFINED HEREIN BELOW) ARISING OUT OF OR RELATING TO GRANTOR(S) EXECUTION AND DELIVERY OF THIS CONTRACT, OR THE BREACH THEREOF, THE PARTIES FIRST AGREE TO PARTICIPATE IN AT LEAST FOUR (4) HOURS OF MEDIATION IN ACCORDANCE WITH THE COMMERCIAL MEDIATION RULES OF THE AMERICAN ARBITRATION ASSOCIATION (the AAA), BEFORE HAVING RECOURSE TO ARBITRATION. If the mediation procedure provided for herein does not resolve any such dispute, the parties agree that all disputes between the parties shall be resolved by binding arbitration administered by the AAA in accordance with its commercial arbitration rules and pursuant to the Federal Arbitration Act, 9 U.S.C. Sections 1-16 (and all amendments thereto, if any). Judgment upon the award rendered by the arbitrator may be entered in any Court having Jurisdiction. The term dispute shall include, but is not limited to, all claims, demands and causes of action of any nature, whether in contract or in tort, at law or in equity, or arising under or by virtue of any statute or regulation or judicial reason, that are now recognized by law or that may be created or recognized in the future, for resulting past, present and future personal injuries, contract damages, intentional and/or malicious conduct, actual and/or constructive fraud, statutory and/or common law fraud, class action suit, misrepresentations of any kind and/or character, liable, slander, negligence, gross negligence, and/or deceptive trade practices/consumer protection act damages, and for all other losses, damages and/or remedies of any kind and/or character, including without limitation, all actual damages, exemplary and punitive damages, all attorneys fees, all penalties of any kind, prejudgment interest and costs of court by virtue of the matters alleged and/or matters arising between the parties. The award of the arbitrator issued pursuant hereto shall be final, binding and non-appealable.

**11. EXEMPLARY AND PUNITIVE DAMAGES:** Parties hereby waive any rights to consequential, punitive or exemplary damages and the Arbitrator(s) will not have the authority to award consequential, exemplary or punitive damages to either party.

**12. CHOICE OF VENUE:** This contract is performable in Dallas County, Texas. Any and all claims (without limitation) arising out of Grantor(s) execution of this contract, shall be resolved in Dallas County, Texas.

**13.** This instrument may be executed in multiple counterparts. Each counterpart is an original, and all counterparts together are one and the same instrument. This instrument binds each person who executes it, regardless of whether any other person executes it.

**THIS DOCUMENT AFFECTS YOUR LEGAL RIGHTS. PLEASE READ CAREFULLY OR SEEK LEGAL COUNSEL PRIOR TO SIGNING. GRANTOR REPRESENTS AND WARRANTS THAT HE/SHE/IT HAS READ THE ENTIRE CONTRACT, OR HAS HAD IT READ TO HIM/HER/IT AND UNDERSTANDS AND AGREES TO THE TERMS OF THIS CONTRACT. NOTICE PURSUANT TO SB 436, CHAPTER 5, SUBCHAPTER F, OF THE TEXAS PROPERTY CODE: BY EXECUTING AND DELIVERING THIS INSTRUMENT YOU ARE SELLING ALL OR A PORTION OF YOUR ROYALTY INTEREST IN THE ABOVE REFERENCED PROPERTY LOCATED IN TARRANT COUNTY, TEXAS. BY EXECUTING AND DELIVERING THIS INSTRUMENT (WHETHER RECORDED IN THE COUNTY OR UNRECORDED) GRANTOR HEREBY AUTHORIZES ANY AND ALL OPERATORS, LESSEES, GATHERING COMPANIES OR PURCHASERS OF PRODUCTION, TO RELEASE THE FOLLOWING INFORMATION TO GRANTEE, GRANTEE'S AGENTS, HEIRS OR ASSIGNS: GRANTOR'S OWNERSHIP INTERESTS, INCLUDING GRANTOR'S DECIMAL INTEREST, NET/GROSS ACRES, PAYMENT HISTORY, LEGAL DESCRIPTIONS, UNIT OWNERSHIP AND BOUNDARIES, SUSPENSE ACCOUNTS AND OTHER INFORMATION REGARDING GRANTOR'S OWNERSHIP INTERESTS, WITHOUT LIMITATION, AND AS REQUESTED BY GRANTEE.**

WITNESS my hand and sold this the 14 day of January, 2010, but effective as of The Date of First Production (The "Effective Date").

X [Signature]  
Celinda Flores

X [Signature]

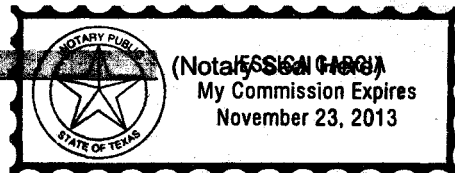
ACKNOWLEDGEMENT

STATE OF TEXAS }  
COUNTY OF Tarrant }

BEFORE ME, the undersigned authority, on this day personally appeared Armando H. Flores, personally known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he/she, being informed of the contents of same, executed the foregoing instrument for the purpose and consideration therein expressed and appeared to be of sound mind and under no fraud, duress or undue influence.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 16 day of November, 2010.

My commission expires on: 11-23-2013 [Signature]  
Notary Signature Here



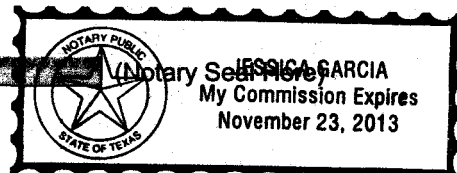
ACKNOWLEDGEMENT

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COUNTY OF Tarrant }

BEFORE ME, the undersigned authority, on this day personally appeared Armando H. Flores, personally known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he/she, being informed of the contents of same, executed the foregoing instrument for the purpose and consideration therein expressed and appeared to be of sound mind and under no fraud, duress or undue influence.

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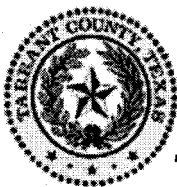


After recording please return to:

Palo Petroleum, Inc.  
5944 Luther Lane Suite 900  
Dallas, Texas 75225

SUZANNE HENDERSON

COUNTY CLERK



100 West Weatherford Fort Worth, TX 76196-0401

PHONE (817) 884-1195

PALO PETROLEUM INC  
5944 LUTHER LANE STE 900  
DALLAS, TX 75225

Submitter: PALO ARGENTA PARTNERS - A  
LLC

**DO NOT DESTROY**  
**WARNING - THIS IS PART OF THE OFFICIAL RECORD.**

Filed For Registration: 12/9/2010 3:10 PM

Instrument #: D210304613

LSE

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PGS

\$24.00

By: \_\_\_\_\_

A handwritten signature in cursive script, appearing to read "Suzanne Henderson", is written over a horizontal line.

D210304613

ANY PROVISION WHICH RESTRICTS THE SALE, RENTAL OR USE OF THE DESCRIBED REAL PROPERTY  
BECAUSE OF COLOR OR RACE IS INVALID AND UNENFORCEABLE UNDER FEDERAL LAW.

Prepared by: CAMADDOCK